

# Fixing the Ferries

NSW Coalition Response to the Walker Commission of Inquiry



October 2008



**THE NATIONALS**

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# 1. EXECUTIVE SUMMARY

Over the past decade the reliability, maintenance and management record of the Sydney Ferries has continued to decline.

Following two fatal accidents involving Sydney Ferries in January and March 2007, the State Government announced a commission of Inquiry into the Sydney Ferries Corporation that was to hand its report to the Government by August of the same year.

Regrettably, the terms of reference to the inquiry specifically excluded the fatal accidents.

The reporting date was extended to October 2007. The Commission of Inquiry (more frequently referred to as the Walker Report) was a damning indictment on the state of the SFC.

The Walker inquiry confirms that the State Government's ongoing failure to address the serious problems plaguing Sydney Ferries is untenable.

The NSW Coalition has carefully considered the findings of the Walker Inquiry in addition to the many reports made by OTSI, IPART and ITSSR in recent years.

On that basis the NSW Coalition **does not support the full privatisation of the SFC as the best option for commuters, taxpayers and the broader public.**

**The Coalition supports in principle the recommendation put forward by the Walker Inquiry which advocates ongoing Government ownership of Sydney Ferries with potentially a non-government operator leasing, maintaining and operating the fleet.**

Under this model the Coalition would stipulate a number of strict community obligations as part of this arrangement including Government control over the fare structure, routes, safety obligations within a service contract. These obligations could also extend to staffing obligations.

This model in delivering ferry services is consistent with that undertaken in Brisbane with great success, and is consistent with the NSW Government's own model in relation to the provision of a significant proportion of existing bus services, especially in rural and regional NSW.

The Government's ongoing failure to respond to the inquiry and to notify the community of its intentions in relation to Sydney Ferries is inexcusable.

## 2. BACKGROUND TO INQUIRY

The Walker Commission of Inquiry was established in April 2007 following two fatal accidents involving Sydney Ferries on Sydney Harbour in January and March of that year which tragically resulted in five fatalities.

When the Walker inquiry was first announced by lemma and Watkins there was a definite impression created by them that the inquiry would include examination of any links between these accidents and the growing concerns with the management of Sydney Ferries.

*'Recent incidents involving Sydney Ferries have made it clear to me that it's time to put the spotlight onto the entire operations of the Sydney Ferries Corporation from top to bottom.'* <sup>2</sup> - **Morris lemma, 4 April 2007 (following the fatal crash between a passenger vessel and a Sydney Ferry on the 28<sup>th</sup> of March)**

*This will be a thorough, rigorous and independent inquiry and I want no stone left unturned at the end of the process.*" – **Morris lemma Press Release, 4 April 2007**

However, when further details of the inquiry were released a few weeks after the announcement of the ferries, the two accidents were specifically excluded from the terms of reference.

The Commissioner was to have handed his report to the State Government by the end of August 2007 but this was extended to October 2007.

In reality serious questions regarding the management, culture and safety record of Sydney issues has been an ongoing concern for a number of years.

The consistent approach of the State Government and successive Transport Ministers has been inaction. This has been to the ultimate detriment of commuters, the broader public and ultimately to the Sydney Ferries Corporation itself.

### 3. LIBERAL/NATIONALS SUBMISSION TO INQUIRY

21 May 2007

Mr Bret Walker SC  
Commissioner  
Special Commission of Inquiry into Sydney Ferries  
P O Box K1026  
HAYMARKET NSW 1240

Dear Mr Walker SC,

I am writing in relation to the Commission of Inquiry into Sydney Ferries in my capacity as Shadow Minister for Transport.

I am aware that my colleagues Barry O'Farrell MP, Leader of the Opposition and Mike Baird MP, Member for Manly and Shadow Minister for Finance have also made submissions to you.

Concerns regarding the management, culture and safety record of Sydney Ferries have been prominent for some time and the Opposition remains alarmed at the State Government's lack of political will in dealing with these serious and protracted issues in an open and transparent manner.

I have summarised below some of the primary concerns, which are by no means exhaustive.

#### 1. Terms of Reference of Commission of Inquiry

When the Premier and Minister for Transport announced the Commission of Inquiry into Sydney Ferries on 3 April 2007, there was a clear public expectation that this Inquiry would include in its consideration the two accidents which occurred on 5 January and 28 March this year resulting in a total of five fatalities.

The specific exclusion of these incidents from the terms of reference casts a shadow on the effectiveness of the inquiry.

The Opposition accepts there are ongoing separate investigations into the two incidents by relevant authorities. However, the specific exclusion of these accidents from the terms of reference inappropriately makes the premature assumption that such incidents have no relevance to the issues to be examined by the Inquiry.

#### 2. Government's Failure to address Safety Record

The State Government has too often ignored the findings of the Office of Transport Investigations (OTSI). This situation cannot continue in the wake of ongoing problems plaguing Sydney Ferries.

Moreover previous OTSI investigations have taken years to complete and have been behind closed doors, preventing public scrutiny.

Given the Government's repeated unwillingness or inability to implement the findings of OTSI in a timely manner (if at all), it is inappropriate for OTSI to remain the sole body responsible for making recommendations that will affect the future operation and practices of Sydney Ferries.

It is appropriate for you to consider why the State Government has repeatedly failed to call upon the Australian Transport Safety Bureau (ATSB) to conduct independent investigations into the safety record and operational culture of Sydney Ferries. The ATSB is regarded as a totally independent authority that has both the expertise and jurisdiction to conduct such investigations.

The Opposition would support the ATSB having a supervisory role until such time that the safety record and management issues within Sydney Ferries are adequately dealt with.

The appalling list of "safety incidents" involving Sydney Ferries speaks for itself. The most recent Sydney Ferries Annual Report showed:

- 18 passengers were injured last year on Sydney Ferries;
- There were 69 "reportable vessel incidents";
- There was a 50% increase in the number of "reportable incidents of environmental damage";

#### **Recent Ferry Safety "Incidents"**

<b>Date</b>	<b>Safety Incident</b>
28/3/07	HarbourCat Pam Burrige collides with a cruise ship under the Sydney Harbour Bridge. Four fatalities.
22/3/07	First Fleet Class ferry Sirius collides with cruise ship on Darling Harbour
5/1/07	RiverCat Dawn Fraser strikes a fishing boat, one man later dies
6/12/06	Manly ferry Collaroy collides with yacht near Georges Head
23/9/2006	RiverCat Evonne Goolagong collides with small sailing boat near Cockatoo Island
2/2/06	RiverCat Anne Margaret runs aground on Parramatta River, passengers unable to disembark for more than 4 hours
11/1/06	RiverCat Betty Cuthbert runs over moored private boat near Hunters Hill
23/9/05	RiverCat Betty Cuthbert hits wharf at Circular Quay
19/9/05	Manly ferry Collaroy hits wharf at Circular Quay causing extensive damage and minor passengers injuries. Drug and alcohol tests bungled
26/5/05	Manly ferry Narrabeen hits wharf at Circular Quay, one female passengers receives facial injuries
4/3/05	Manly ferry Collaroy hits wharf at Circular Quay

The State Government has failed to take measures to ensure that thorough investigations can be made into the direct causes of these safety incidents.

An example of the State Government's failure to accept recommendations by OTSI relates to the installation of Black boxes on Sydney Ferries, vital in ensuring appropriate investigation of safety incidents.

In June 2005 (OTSI) recommended the Government:

*"Incorporate data recording facilities, synchronised to an accurate and reliable time base, into all vessels engaged in public passenger services."*<sup>1</sup>

Transport Minister John Watkins first announced 'black box' data recorders for ferries in October 2005. Mr Watkins told Parliament on 11 October 2005 that:

*"Once operational, the data recording systems will assist in the collection of detailed operational, mechanical and geographic information. A tender will be let this month, and trials are expected to commence on a Freshwater class vessel early next year."*<sup>2</sup>

Mr Watkins told the Sydney Morning Herald on 24 October 2005 that:

*"The data recorders will be fitted and trialled on Manly Freshwater Class ferries and SuperCats before being rolled out across the rest of the fleet."*<sup>3</sup>

In April 2006 Mr Watkins again announced the Government would:

*"Install data recording 'black boxes' on all Sydney Ferries' 31 vessels."*<sup>4</sup>

However, trials did not begin until September 2006 and now over a year later and that commitment is yet to be fulfilled. There is little doubt that current accident investigations would have been greatly aided by having reliable data from a black box recorder.<sup>5</sup>

### **3. Cultural and Management Issues**

Excluding current investigations, there have been at least 7 Office of Transport Safety Investigation (OTSI) reports in the last two years.

In its most recent report in October 2006, OTSI said about Sydney Ferries' culture:

- *"Crew resource management on board Sydney Ferries vessels is below what might be considered best practice and has been affected, over time, by inadequate training, poor communication procedures, ill-defined roles and responsibilities... and rostering practices." (OTSI Report 30 Oct 2006, page xi)*

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<sup>1</sup> OTSI Report: Louise Sauvage collision 12 May 2004, page 34

<sup>2</sup> Hansard 11/10/05

<sup>3</sup> SMH 24/10/05

<sup>4</sup> John Watkins press release 4/4/06

<sup>5</sup> John Watkins press release 18/9/06

- There is "a strong affinity with the status quo... It manifests itself in a lack of regard for formal procedures" (page xi);
- "Communication between masters and engineers and between masters and operational controllers was often unstructured and imprecise" (page xi); and,
- Failures are "exacerbated by inadequate crew training" (page xi).

There must be an open and transparent process within Sydney Ferries for staff to raise legitimate safety concerns.

Current and former employees and contractors of Sydney Ferries, who wish to remain anonymous for fear of retribution, have approached the Opposition with major concerns about existing management practices.

These allegations include:

- a prevailing culture of fear where mistakes are covered up;
- a perception that there will be retribution if employees question management practices or specific decisions taken;
- Accusations of bullying and ostracisation of certain classes of employee;
- Lack of appropriate qualifications of persons in positions of authority.

#### 4. **Lack of Co-ordination between relevant agencies**

On 16 February 2007 a high level Navigators meeting took place following the accident involving Sydney Ferries on 5 January 2007. Revelations that the Committee discussed potential safety restrictions for craft around the Harbour Bridge demonstrates the Committee believed the incident in January at the very least raised certain questions as to the operation and practices involving Sydney Ferries.

It is extremely concerning that the high level navigators meeting held on 16 February was unable to determine appropriate jurisdiction and failed to make co-ordinated and concrete recommendations on the way forward.

This factor clearly supports the Opposition's position that the incidents in January and March should not have been excluded from the terms of reference.

Moreover the subsequent decision by Sydney Ferries to reduce speed by Sydney Ferries vessels in a specific part of the Harbour demonstrates a lack of co-ordination between relevant authorities and a failure to adequately notify the public about such critical decisions. Questions must be raised as to the impact of such a decision being made by Sydney Ferries in isolation given the number of jurisdictions and authorities impacted. This raises serious questions about lack of co-ordination and communication between relevant agencies.

#### 5. **Service Delivery and Patronage**

Documents obtained by the Opposition under Freedom Of Information reveal ferry and JetCat passengers endured a total of 4,713 service delays or cancellations in 2005/06, a 22% increase on the 3,852 recorded in 2004/05.

Service cancellations have risen every year for the past three years.

Sydney Ferries	2002/03*	2003/04*	2004/05*	2005/06
<b>Cancellations</b>	<b>986</b>	<b>1,147</b>	<b>1,915</b>	<b>1,923</b>

([\* IPART Report 10, 2005 p.14], and Freedom Of Information Documents)

Sydney Ferries	2004/05	2005/06
<b>Delays</b>	<b>1,937</b>	<b>2,790</b>

(Freedom Of Information documents)

More than 4,500 people have abandoned Sydney Ferries every week for the last two years despite petrol prices rising significantly over that time.

Ferry patronage has fallen by more than 485,000 passengers over the past two years – from 14.513 million<sup>6</sup> in 2003/04 to 14.027 million<sup>7</sup> in 2005/06.

The level of patronage is extremely concerning and can be directly attributable to lack of reliability of service delivery resulting from bad management practices.

Freedom Of Information documents reveal in January this year, the Sydney Ferries fleet of 30 vessels broke down 89 times - translating to nearly every vessel breaking down three times that month, or nearly three breakdowns a day.

The State Government spent 27% less on ferry maintenance in 2005/06 than in they did in 2004/05.<sup>8</sup> The Government has failed to give adequate resources to maintain the ferry fleet.

In addition in 2005/06, taxpayers paid \$1.43 million, nearly \$4,000 a day, to hire charter vessels to replace ferries because of constant breakdowns.

#### Ferry Breakdowns

Month	Vessels in Operation	Vessel Breakdowns
July 05	31	70
Aug 05	27	49
Sept 05	27	33
Oct 05	26	50
Nov 05	26	55
Dec 05	29	33
Jan 06	30	89
Feb 06	29	73
Mar 06	29	49
Apr 06	29	51
May 06	28	60

<sup>6</sup> State Transit Annual Report 2003/04

<sup>7</sup> Sydney Ferries Submission to IPART August 2006

<sup>8</sup> Sydney Ferries IPART submission August 2006, p. 23

June 06	26	62
July 06	29	51
Aug 06	28	59
Sept 06	28	51
	Total	835
<b>Average</b>	<b>28</b>	<b>56</b>

(Figures from Freedom Of Information documents)

The State Government's inability to accept the extent of the problems plaguing Sydney Ferries has exacerbated the failures relating to safety, management and culture within the Corporation. Public confidence will only be restored when the problems identified are appropriately tackled in an independent, open and transparent manner.

Thank you for your consideration of the matters raised in this correspondence and I look forward to your deliberations.

## 4. SUMMARY OF FINDINGS OF WALKER INQUIRY

The Walker Inquiry is a damning indictment of the State Government and the SFC.

### **Failure to have a Service Contract in place for the SFC**

As stated by Walker, “early on in the inquiry, it was discovered that SFC did not have a service contract as required by the Public Transport Act<sup>9</sup>. SFC and the Ministry of Transport have been attempting to negotiate a funding agreement since September 2004. The agreement has been in draft form since December of that year.<sup>10</sup>

“The lack of a service contract binding SFC is a pity. There has to be one in the future, if a SOC were to continue to provide the ferry service in Sydney.<sup>11</sup>

This means there are no enforceable performance benchmarks or service standards.

### **Failure to plan for fleet replacement**

“There is an urgent need for an entirely new fleet for ferries for Sydney.<sup>12</sup>

### **Maintenance Debacle**

As a result of the ageing fleet...

“...remarkably SFC operates 12 distinct classes of vessel from an operational perspective and 14 from an engineering perspective.<sup>13</sup>

### **Disastrous Financial Performance**

“there has been a steady decline in the financial performance of the Corporation since its establishment in July 2004.<sup>14</sup>

“In 2006-2007, 40.3% of SFC’s total operational revenue of \$119.214 million came from passenger revenue and 59.7% from Government.<sup>15</sup>

As at December 2006, farebox recovery was approximately 48% of total revenue<sup>16</sup>. Total Labor costs represented 50.2% of total expenses<sup>17</sup>. Fleet maintenance costs

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<sup>9</sup> Walker Inquiry pg 117

<sup>10</sup> Walker Inquiry pg 166-167

<sup>11</sup> Walker Inquiry pg 8

<sup>12</sup> Walker Inquiry pg 1

<sup>13</sup> Walker Inquiry pg 48

<sup>14</sup> Walker Inquiry pg 165

<sup>15</sup> Walker Inquiry pg 166

<sup>16</sup> Issues Paper: Special Commission of Inquiry into Sydney Ferries: Models of Delivery and Funding of Ferry Services in Sydney pg 2

<sup>17</sup> Walker Issues Paper pg 2

represented 8.5% of total costs<sup>18</sup>. Fleet depreciation represented 13.8% of total expenses<sup>19</sup>.

### **Inaccurate Reporting data in all aspects of SFC operations**

It is of considerable concern that when compelled to produce a document indicating the amount of pre-paid overtime worked as part of the aggregate salary per employee for the years ending June 2006 and June 2007, SFC, was unable to guarantee the accuracy of figures and had no reliable databases.<sup>20</sup>

### **Cultural Problems**

The Walker report confirms ongoing concerns about the cultural problems besetting the organisation.

As stated by Walker the SFC is *“beset by cultural problems and it does not yet have in place all the management tools needed to efficiently run its operations.”*<sup>21</sup>

### **Lack of Safety**

“In early 2006, after receiving the October 2005 audit conducted by NSW Maritime, the Board approved a Safety Plan which had as its first priority to reviews and amend the QSEMS. As at October, 2007, the review is still incomplete.”<sup>22</sup>

“It has to be concluded that the system for reporting incidents is unduly complex, confusing and inconsistent and is not best suited to produce the sound data on which safety improvements can be made.”<sup>23</sup>

“At a Board meeting in 2004, the CEO noted that historical data on safety were inconsistent and unreliable.”<sup>24</sup> There is still no evidence that the development of a new database regarding operational safety related incidents has yet been dealt with.

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<sup>18</sup> Walker Issues Paper pg 2

<sup>19</sup> Walker Issues Paper pg 2

<sup>20</sup> Walker Inquiry pg 164

<sup>21</sup> Walker Inquiry pg 1

<sup>22</sup> Walker Inquiry pg 233

<sup>23</sup> Walker Inquiry pg 237

<sup>24</sup> Walker Inquiry pg 237

## 5. LABOR'S ONGOING FAILURE TO RESPOND

As highlighted in the Coalition's submission to the Walker Inquiry, the State Labor Government has failed to address serious problems within the SFC over a number of years.

What is so concerning is that notwithstanding the rhetoric by the Premier and the Minister for Transport following the tragic accidents on Sydney Harbour in early 2007, the Government refused to allow those fatal accidents to be considered by the Walker inquiry.

One cannot read the Walker report without being shocked as to the extent of the problems within the SFC. Yet in the wake of this damning report the Government's response has been one of silence and inaction.

The Commissioner's reporting date was extended to October 2007. Following the release of the report the Minister for Transport made the following remarks which have since found to be false statements.

*"...but Morris lemma made very clear yesterday that one of the options put forward which is going to the marketplace to seek interest from the private sector to how they could manage it is something that we will seriously consider, will announce our decision early next year ." – John Watkins 2UE Interview, 2 Nov 2007*

**Jones Question:** *"When do you reckon you will have an answer on all 17 recommendations?"*

**Watkins' Answer:** *"Early next year, certainly before the middle of the year. Morris made very clear yesterday that we want to make this clear to the people of Sydney because they are anxious about it, within the first few months of next year." – 2GB Interview, 2 Nov 2007*

## 6. LIBERAL/NATIONALS RESPONSE TO INQUIRY

### COALITION RESPONSE TO RECOMMENDATIONS

#### 1. Support with conditions

As noted by Walker the Brisbane model has proved to be a success story.

“The Private sector has a contract to operate Brisbane’s ferries under a seven plus three year contract term. Brisbane City Council retains ownership of the ferries and most terminals. It retains the farebox and pays the private operator a fixed operating price and performance incentives. The private sector is responsible for vessel operations, vessel and infrastructure maintenance, marketing and cash collection. Brisbane City Council is responsible for overall contract management, design and construction of new fleet and terminals, performance monitoring and strategic planning and policy<sup>25</sup>.

As it is – the State Government had already turned SFC into a State Owned Corporation in 2004. The model requires that Sydney Ferries operates, as far as practicable, on a commercial basis. It aims to make a profit and does not provide services that are “non-commercial”. If Government requires Sydney Ferries to undertake unprofitable services, it receives financial compensation from Government. The model also requires that the Government’s procurement of services from Sydney Ferries is in the form of an arms length contract<sup>26</sup>.

This model has proved to be a failure because the State Government has been unable and unwilling to set basic benchmarks and performance measures.

Under the proposed franchise model the Coalition would ensure the following conditions:

- Government to determine fares
  - Government to determine routes
  - Government to monitor regulatory environment and determine additional community service obligations as necessary eg no reason why all of existing workforce cannot be considered as a key component of the new operator (as mentioned by Walker)<sup>27</sup> if the new operator is not the SFC.
2. The Coalition issued a discussion paper in February 2008 “Towards One Network” strongly advocating the establishment of a Transport Co-ordination Authority. This recommendation is entirely consistent with existing Coalition policy.

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<sup>25</sup> Walker Inquiry – Recommendations pg 6

<sup>26</sup> Walker Issues Paper pg 3

<sup>27</sup> Walker Inquiry pg 24

3. Support in consultation with NSW Waterways and Maritime services.

4. Support, however acknowledge that the Coalition supports wharf upgrade and inner feasibility to expand Ferry Services in the inner west.

The feasibility study would consider the viability of introducing a class of craft able to negotiate the more shallow waters and smaller wharves within the inner west that have great potential for growth in use of ferry services.

5. Support

6. a) b) c) d) e) Support

7. Support

8. Support

9. a) b) c) d) Support

10. Support with the inclusion of adoption of OTSI recommendations in relation to staff

*"Crew resource management on board Sydney Ferries vessels is below what might be considered best practice and has been affected, over time, by inadequate training, poor communication procedures, ill-defined roles and responsibilities... and rostering practices." (OTSI Report 30 Oct 2006, page xi);*

*"Communication between masters and engineers and between masters and operational controllers was often unstructured and imprecise" (page xi), and;*

*-Failures are "exacerbated by inadequate crew training" (page xi).*

11. Support

12. a) – g) support

13. Support

14. Support with conditions. Support preservation of iconic Freshwater class of Sydney ferries servicing the Manly route and maximise tourism opportunities

15. The Coalition believes it is too premature to support this recommendation. The Coalition strongly supports a fast ferry service from Manly to Circular Quay. The class of this service should be considered within the framework of the entire fleet replacement strategy and not in isolation.

16. Not Support. The Coalition strongly supports the retention and enhancement of existing ferry services on the Parramatta River.

17. Support. Fleet replacement strategy needs to be determined in consultation between the Government, operators and any communities who may consider themselves to be adversely impacted.

## **7. CONCLUSION**

NSW Coalition does not support the privatisation of the SFC as the best option for commuters, taxpayers and the broader public.

The Coalition supports in principle the recommendation put forward by the Walker Inquiry which advocates ongoing Government ownership of Sydney Ferries with potentially a non-government operator leasing, maintaining and operating the fleet.